

Rules of
Department of Insurance
Division 200—Financial Examination
Chapter 13—Real Estate

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**Title 20—DEPARTMENT OF
INSURANCE**

**Division 200—Financial Examination
Chapter 13—Real Estate**

20 CSR 200-13.100 Appraisal Requirements

PURPOSE: This rule upgrades the quality of real estate appraisals used by insurers by requiring appraisals meet the same standards as those applicable to federally-regulated financial institutions. This rule effectuates or aids in the interpretation of sections 375.330, 376.300 and 379.080, RSMo.

PUBLISHER'S NOTE: The secretary of state has determined that the publication of the entire text of the material which is incorporated by reference as a portion of this rule would be unduly cumbersome or expensive. Therefore, the material which is so incorporated is on file with the agency who filed this rule, and with the Office of the Secretary of State. Any interested person may view this material at either agency's headquarters or the same will be made available at the Office of the Secretary of State at a cost not to exceed actual cost of copy reproduction. The entire text of the rule is printed here. This note refers only to the incorporated by reference material.

(1) Any real estate held as an investment for the production of income pursuant to section 375.330.1(7), RSMo, or any mortgage loan made pursuant to section 376.300.1(9) or 379.080.1(2)(f), RSMo, excluding purchase money mortgages as identified in section 376.300.1(9), RSMo, may be held as an admissible asset only if the appraisal—

(A) Is made of real estate no more than one hundred twenty (120) days before the date the deed or mortgage is recorded in the appropriate public records;

(B) Is a written statement that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information;

(C) Provides the current market value of the real estate, that is the value of the real estate in an arms-length sale as of the date of the appraisal; and

(D) Is made by an individual who is—

1. On the national registry of state-certified and licensed appraisers who are eligible to perform appraisals in federally related transactions, which national registry is maintained pursuant to United States P.L. 101-73,

Title XI, Section 1103 (12 USC Section 3332); and

2. Certified or licensed to make the appraisal by the state in which the real estate is located.

(2) Notwithstanding any provision of section (1) of this rule to the contrary, no appraisal is necessary in order to admit as an asset the holding of any debt or security issued, assumed or guaranteed by the United States, any state, territory or possession of the United States, the District of Columbia or any administration, agency, authority or instrumentality of them, but only to the extent that the debit or security is issued, assumed insured or guaranteed by any such entity.

(3) Notwithstanding any provision of section (1) of this rule to the contrary, an insurer may establish written procedures, approved by the company's board of directors, for the valuation of its real estate and mortgage loans, which shall exempt the insurer from all of the provisions of section (1). The written procedures must be approved by the director. The director may review the insurer's compliance with these procedures. The director must be notified of any material changes to the written procedures. To be exempt under this section, an insurer's mortgage loan and real estate operations shall meet the following minimum standards:

(A) The insurer shall hold a combined mortgage loan and real estate portfolio valued at three hundred (300) million dollars or more;

(B) The insurer shall establish written procedures and obtain board approval and approval by the director within one hundred twenty (120) days (August 6, 1993) of the effective date of this rule (April 8, 1993);

(C) The insurer, as part of the written procedures, shall establish a reasonable system of valuation of its mortgage loans and real estate which includes the following elements:

1. A system to value its real estate acquired through foreclosure for the purpose of establishing reserves or carrying values of the investments and for statutory accounting purposes;

2. A program for the training, education and certification of employees, at least one (1) of whom must be certified as described in paragraph (1)(D)1. of this rule, who conducts internal appraisals of investments, or a system involving the use of independent certified appraisers as described in paragraph (1)(D)1. of this rule. Any internal appraiser shall not be compensated, directly or indirectly, on the basis of the outcome of appraisals performed

and shall have direct reporting access to the chief investment officer of the insurer; and

3. Carrying values for the foreclosed real estate shall be based upon the internal appraisal or an independent appraisal and the value of the guarantees or other credit enhancements related to the investment; and

(D) The audit report of the independent certified public accountant which prepares the audit of the insurer's annual statement shall contain findings by the auditor that—

1. The insurer has adopted valuation procedures meeting the requirements of section (3) of this rule;

2. The procedures adopted by the board of directors have been uniformly applied by the insurer in conformance with section (3) of this rule; and

3. The management of the insurer has an adequate system of internal controls.

AUTHORITY: section 374.045, RSMo 1986. Original rule filed Aug. 4, 1992, effective April 8, 1993.*

**Original authority: 375.045, RSMo 1967.*

20 CSR 200-13.200 Mortgage Loans as Admissible Assets

PURPOSE: This rule effectuates or aids in the interpretation of sections 376.300(9) and 379.080.1(2)(f), RSMo.

(1) Definitions.

(A) Current, as used in this rule, is defined to mean as of the approximate date of loan.

(B) Mortgage loans, as used in this rule, include promissory notes secured by deeds of trust or other lien instruments on real estate.

(2) All mortgage loans must be properly recorded.

(3) No second mortgage loan is acceptable for depository purposes.

(4) Mortgage Loans as Admissible Assets Not Placed on Deposit With the Department of Insurance. The following documents shall be maintained for each mortgage loan by all insurance companies holding mortgage loans as admissible assets, but not placing the mortgage loans on deposit with the Department of Insurance:

(A) A current title policy or acceptable attorney's legal opinion;

(B) If so requested by the director of the Department of Insurance, a current appraisal of mortgaged property made under the standards required by 20 CSR 200-13.100;

(C) A certificate by county collector or affidavit by an officer of the insurance company that no property taxes are in arrears or a certification on the title policy or legal opinion that current taxes have been paid;

(D) A photograph of the subject property if improved;

(E) If subject property is improved, a fire insurance policy, a photocopy of the declarations page of the policy or an affidavit by an officer of the insurance company that fire coverage has been obtained or a photocopy of an insurance certificate by a loan correspondent;

(F) Any other document that the insurance company is directed to maintain by the director of the Department of Insurance; and

(G) A copy of the written appraisal made under the standards of 20 CSR 200-13.100.

(5) Each of the documents required to be maintained for mortgage loans under the provisions of section (4) of this rule shall be maintained in accordance with the provisions of 20 CSR 200-4.010.

AUTHORITY: sections 374.045, 376.170 and 376.300, RSMo 1986 and 379.080, RSMo Supp. 1989. This rule was previously filed as 4 CSR 190-II.040(1)–(3), (5) and (6), and 20 CSR 200-1.090. Original rule filed Aug. 5, 1974, effective Aug. 15, 1974. Amended: Filed Jan. 25, 1991, effective July 8, 1991. Amended: Filed Aug. 4, 1992, effective April 8, 1993.*

**Original authority: 374.045, RSMo 1967; 376.170, RSMo 1939; 376.300, RSMo 1939, amended 1943, 1945, 1949, 1953, 1961, 1963, 1973, 1979, 1982, 1985; and 379.080, RSMo 1939, amended 1943, 1947, 1963, 1977, 1981, 1982, 1985, 1987, 1989.*

20 CSR 200-13.300 Real Estate Held After Ten Years

PURPOSE: This rule describes the method by which a company may obtain from the director an extension of the ten-year limitation on holding title to real estate and describes the accounting procedures for property. This rule was adopted pursuant to the provisions of section 374.045, RSMo and implements section 375.330, RSMo.

(1) For good cause shown, the director may extend the present ten (10)-year limitation on holding title to real estate, the limitation being contained in section 375.330(4) and (5), RSMo. The extension must be preceded by a formal petition for extension filed by the insurers requesting same which may contain allegations of due diligence and reasonable

efforts to sell or dispose of the realty prior to the expiration of ten (10) years, evidence of late and independent appraisals and any other fact or circumstance pertaining to the realty which would justify the extension prayed for in the petition.

(2) If the extension is granted and the insurer carries the realty as an admitted asset on its books, the director may elect to have the property appraised at company expense, the director to select the appraisers. The company may claim the fair market value established by the appraisal and, unless the ledger book value is less than appraised value, may carry same at its fair appraised value. If the insurer's ledger book value is less than the appraised value, the ledger book value will prevail. In all cases where the book value is greater than the present market value, the difference must be charged off and no longer carried as a company asset.

AUTHORITY: sections 374.045, RSMo 1986 and 375.330, RSMo Supp. 1990. This rule was previously filed as 4 CSR 190-II.060 and 20 CSR 200-1.100. Original rule filed July 27, 1964, effective Aug. 7, 1964. Amended: Filed Dec. 5, 1969, effective Dec. 15, 1969. Amended: Filed Aug. 5, 1974, effective Aug. 15, 1974. Amended: Filed Aug. 4, 1992, effective April 8, 1993.*

**Original authority: 374.045, RSMo 1967 and 375.330, RSMo 1939, amended 1945, 1947, 1949, 1957, 1961, 1979, 1985, 1990.*

Op. Atty. Gen. No. 52, Leggett (12-30-55). Stipulated premium plan life insurance companies are subject to sections 375.330 and 376.300, RSMo (1949). Restrictive provisions in section 375.330, RSMo (1949) touching purchase of realty do not apply to acquisitions by gift without valuable consideration, but do apply to subsequent holding and conveying of real estate. Common capital stock of holding company may be acquired by gift without valuable consideration by stipulated premium plan life insurance company, but subsequent holding of this stock violates section 376.300, RSMo (1949). Method of valuation of real estate acquired by stipulated premium plan life insurance company by gifts is not prescribed by statute and must be left to discretion of superintendent of Division of Insurance and company officers.